

Message Text

CONFIDENTIAL

PAGE 01 COLOMB 02854 01 OF 02 091316Z

46

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 INT-05 FEAE-00 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 FS-01 ABF-01 NSC-05 SS-15 STR-04 CEA-01 L-03

H-02 DODE-00 PA-01 PRS-01 PM-04 /113 W

----- 024613

R 091245Z SEP 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 3372

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 COLOMBO 2854

EO 11652: GDS

TAGS: PINT, PFOR, CE

SUBJ: WITH TROTSKYITE OUT WHAT DOES FUTURE HOLD?

REF: COLOMBO 2769

1. SUMMARY: PRIME MINISTER BANDARANAIKE'S SEPT 1
EXPULSION OF THREE TROTSKYITE MINISTERS FROM CABINET
BREAKS ELEVEN-YEAR POLITICAL ALLIANCE AND IS FIRST
SIGNIFICANT CHANGE IN SRI LANKA'S GOVT SINCE
RULING UNITED FRONT (UF) COALITION SWEPT MAY 1970
ELECTIONS. WITH EJECTION OF TROTSKYITE LANKA SAMA

SAMAJA PARTY (LSSP), BANDARANAIKE GOVT
NOW CONSISTS OF HER SOCIAL DEMOCRATIC SRI LANKA
FREEDOM PARTY (SLFP) AND SMALL COMMUNIST PARTY, MOSCOW-
WING, (CP/M).

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 COLOMB 02854 01 OF 02 091316Z

2. ALTHOUGH CONTROL OF SOON-TO-BE NATIONALIZED TEA, RUBBER AND COCONUT ESTATES WAS OSTENSIBLY ISSUE RESPONSIBLE FOR BREAK, TROUBLE HAD BEEN BREWING FOR SOME TIME. IN END, MAIN DISPUTE WAS CONTROL OF KEY FINANCE MINISTRY WHICH PRIME MINISTER SEEMED DETERMINED TO WREST FROM HER TROTSKYITE FINANCE MINISTER, N.M. PERERA. MRS BANDARANAIKE HAS FIRM CONTROL OF POLITICAL SITUATION. SECURITY FORCES APPEAR TO BE BEHIND HER AND SO FAR LEFTISTS HAVE BEEN UNABLE TO GENERATE STRONG ADVERSE REACTION TO HER ACTION. UNITED NATIONAL PARTY (NP), HER FORMAL OPPOSITION IS CURRENTLY INEFFECTIVE. ALTHOUGH PM HAS REAFFIRMED HER COMMITMENT TO DEMOCRACY, IF MAJOR OPPOSITION DEVELOPS, SHE MAY BE TEMPTED TO FOLLOW INDIAN EXAMPLE AND EXERCISE CONTROL THROUGH EMERGENCY REGULATIONS. PRIMARY OUTCOME OF CABINET CHANGES LIKELY TO BE ADOPTION OF MORE PRAGMATIC ECONOMIC POLICIES. IF SO, CHANGE WILL DEFINITELY BE IN US INTEREST.

3. USG HAS BEEN ACCUSED BY TROTSKYITES OF ENGINEERING THEIR REMOVAL FROM GOVT. ALTHOUGH SUCH CHARGES ARE UNLIKELY TO GAIN MUCH CURRENCY EXCEPT AMONG LEFTISTS, PRIME MINISTER WILL TRY TO DEMONSTRATE THAT SHE IS NOT SUSCEPTIBLE TO UNDUE US INFLUENCE. AS RESULT, WE WILL NEED TO MAINTAIN LOW PROFILE WHILE CONTINUING OUR GOOD RELATIONS AND OUR SUPPORT FOR SRI LANKA'S BALANCED NON-ALIGNMENT AND ECONOMIC DEVELOPMENT. RECENT CHANGES WILL PROBABLY HAVE LITTLE AFFECT ON INTERNATIONAL AFFAIRS WHERE MRS BANDARANAIKE WILL CONTINUE MODERATE APPROACH AND WILL WANT TO PROJECT IMAGE AS LEADER OF NON-ALIGNED WORLD. END SUMMARY.

4. SEPT 1 EXPULSION OF TROTSKYITE LANKA SAMAJA PARTY (LSSP) FROM HER UNITED FRONT GOVT ENDS ELEVEN-YEAR ALLIANCE BETWEEN PRIME MINISTER BANDARANAIKE'S SOCIAL DEMOCRATIC SRI LANKA FREEDOM PARTY (SLFP) AND TROTSKYITES. BREAKUP OF COALITION IS MOST SIGNIFICANT EVENT ON SRI LANKA POLITICAL SCENE SINCE 1971 INSURGENCY AND IS FIRST SIGNIFICANT CHANGE IN CAST OF MINISTERS AND DEPUTY MINISTERS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 COLOMB 02854 01 OF 02 091316Z

SINCE MRS BANDARANAIKE'S THREE PARTY COALITION GAINED POWER IN MAY 1970 GENERAL ELECTIONS. COMMUNIST PARTY, MOSCOW-WING (CP/M), WITH ITS ONE CABINET MINISTER WILL REMAIN IN COALITION BUT CANNOT REALISTICALLY EXPECT TO EXERT MUCH INFLUENCE ON DOMESTIC POLITICS OF GOVT.

5. FINAL BREAKUP WAS TRIGGERED BY DISPUTE

OVER WHICH PARTY, SLFP OR LSSP, WOULD CONTROL KEY PLANTATION SECTOR FOLLOWING NATIONALIZATION OF REMAINING TEA, RUBBER AND COCONUT ESTATES. HOWEVER, WE BELIEVE EXPULSION OF LSSP IS ACTUALLY OUTCOME OF DIVERGENT PARTY POLICIES WHICH HAVE BEEN ON COLLISION COURSE FOR ABOUT EIGHTEEN MONTHS.

6. CONSIDERATION WHICH CAUSED PRIME MINISTER TO EJECT TROTSKYITES PROBABLY INCLUDED: PERSONAL ATTACKS BY LSSP ON PRIME MINISTERS FAMILY; CONCERN THAT LSSP WOULD BE ABLE TO EXTEND ITS PRIMARILY URBAN BASE TO RURAL AREAS IF IT GAINED CONTROL OF ESTATES; CONCERN THAT LSSP WAS FORMING PRIVATE ARMIES (THIS WAS PROBABLY REINFORCED BY OVERLY ALARMING POLICE INTELLIGENCE REPORTS); RECOGNITION THAT ECONOMY UNDER FINANCE MINISTER, N.M. PERERA, WAS GOING NOWHERE; LSSP THREAT TO BUSINESS INTERESTS WHICH SUPPORT SLFP; RECOGNITION OF NEED FOR INFLUX OF FOREIGN CAPITAL IF ECONOMY WAS TO GET MOVING AGAIN; PERERA'S REPEATED, DEMONSTRABLY UNTRUE CHARGES OF USC'S SUBVERSIVE USE OF PL-480 RUPEES, CHARGES WHICH WERE EMBARRASSMENT TO PRIME MINISTER. TACTICALLY, IT APPEARS PRIME MINISTER MOUSE-TRAPPED LSSP BY SEIZING UPON TROTSKYITES FLAMBOYANT RHETORIC OVER ISSUE OF CONTROL OF ESTATES TO PUT THEM ON DEFENSIVE AND GIVE HER EXCUSE FOR ACTION. AS CABINET CRISIS UNFOLDED IT BECAME INCREASINGLY EVIDENT THAT, ALTHOUGH LSSP WANTED TO REMAIN IN POWER, PRIME MINISTER HAD ALREADY DECIDED EITHER TO FORCE TROTSKYITES OUT OR ALLOW THEM TO REMAIN IN GOVERNMENT WITH NO REAL INFLUENCE. SHE SEEMED ESPECIALLY DETERMINED TO WREST KEY FINANCE MINISTRY FROM PERERA.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 COLOMB 02854 01 OF 02 091316Z

7. ALTHOUGH IT IS DIFFICULT TO PREDICT WHAT CHANGES MAY FLOW FROM LSSP'S DEPARTURE, FOLLOWS ARE MOST LIKELY. CABINET REORGANIZATION IS EXPECTED IN NEXT FEW WEEKS. ALTHOUGH ESTATE NATIONALIZATION WILL PROCEED, OTHER TAKE-OVERS OF PRIVATE SECTOR MAY BE INDEFINITELY POSTPONED. WITH ESTATES UNDER GOVERNMENT OWNERSHIP, MAIN SOURCE OF DIRECT FOREIGN ECONOMIC INFLUENCE WILL END. GOVT SEEMS LIKELY TO RELY MORE ON ADVICE OF TECHNOCRATS WITH RESULTING SHIFT TO MORE PRAGMATIC RATHER THAN IDEOLOGICAL APPROACH TO ECONOMIC ISSUES. SHIFT MAY BE SLOW AS PRIME MINISTER WILL WANT TO AVOID ANY APPEARANCE THAT SHE HAS SOLD OUT TO "CAPITALISTS" OR "IMPERIALISTS" AND SHE WILL FACE OPPOSITION FROM THOSE WITHIN SLFP AND HER FAMILY WHO SUPPORT EXPANDED STATE OWNERSHIP. HOW-

EVER, SPECIFIC ECONOMIC PROPOSALS, FORMERLY STRONGLY
OPPOSED BY LSSP FOR IDEOLOGICAL REASONS, MAY HAVE
BETTER CHANGE OF ADOPTION.

8. WE RELIABLY UNDERSTAND THAT GSL NOW FACES MORE
THAN USUALLY SEVERE SHORT-TERM FOREIGN EXCHANGE
CRISIS. DOMESTIC BUDGET CURRENT ACCOUNT WILL ALSO

BE IN DEEP DEFICIT. COUNTRY URGENTLY NEEDS
MAXIMUM BALANCE OF PAYMENTS SUPPORT FROM AID DONORS.
PRIME MINISTER AND NEW FINANCE MINISTER FELIX
DIAS BANDARANAIKE REALIZE DONORS, INCLUDING OIL
PRODUCERS, MIGHT BE MORE FORTHCOMING IF GSL
WILL MAKE POLITICALLY TOUGH ECONOMIC DECISIONS
TO ATTRACT INVESTMENT AND STIMULATE NATIONAL PRODUCTION.
THESE COULD INCLUDE PENDING PROPOSALS FOR LAW GIVING
FOREIGN INVESTMENT INCENTIVES AND PROTECTION, DUTY-FREE
EXPORT PROCESSING ZONES AND OTHER MEASURES TO IMPROVE
CLIMATE FOR PRIVATE SECTOR. NEXT BUDGET, PROBABLY IN
NOVEMBER, WILL DEMONSTRATE CHANGES IN ECONOMIC
POLICY. ATTITUDE OF GSL TOWARD IMF/IBRD, SUCH AS DE FACTO
DEVALUATION TO STIMULATE EXPORTS, AND POLICY
DECISIONS IT IS WILLING TO TAKE TO OBTAIN
INTERNATIONAL FINANCING WILL BE SIGNIFICANT.
END

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 COLOMB 02854 02 OF 02 091315Z

46

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 FEAE-00 INT-05 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 FS-01 ABF-01 NSC-05 SS-15 STR-04 CEA-01 PM-04

L-03 H-02 DODE-00 PA-01 PRS-01 /113 W

----- 024481

R 091245Z SEP 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 3373

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD
AMEMBASSY LONDON
AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 2 OF 2 COLOMBO 2854

9. POLITICALLY, WE EXPECT NO GREAT PROBLEM FOR PRIME MINISTER IN NEAR TERM. MRS BANDARANAIKE REMAINS ON TOP OF SITUATION AND LSSP'S OUSTER HELPS PROMOTE HER IMAGE AS TOUGH DECISION MAKER.(POLITICALLY SENSITIVE FOOD SITUATION IS GOOD. SHE CAN CONTROL MAJOR NEWSPAPERS IF SHE WANTS TO. SHE HAS CAUGHT TROTSKYITES OFF GUARD. LSSP LEADERSHIP AT MOMENT APPEARS DISINCLINED TO CHALLENGE PM THROUGH POLITICAL CONFRONTATION OR STRIKE ACTION. THIS COULD EASILY CHANGE AS LSSP REASSESSES ITS SITUATION AND DECIDES WHAT OPTIONS ARE OPEN TO IT. SHORT RANGED LSSP GOAL APPEARS TO ORGANIZE LEFTIST ELEMENTS OF ALL PARTIES TO MAXIMIZE INFLUENCE ON SLFP FUTURE POLTICIES DECISIONS. HOWEVER, DEPARTURE FROMGOVT REMOVES SHACKLES OF RESPONSIBILITY AND REVIVES OPTION OF STRIKE ACTION AND PROPAGANDA ATTACKS ON ECONOMIC ISSUES WHICH FINANCE MINISTER PERERA COULD NOT AFFORD BUT WHICH EX-MINISTER PERERA CAN USE TO GENERATE SUPPORT AMONG RANK AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 COLOMB 02854 02 OF 02 091315Z

FILE. HOWEVER, ESTATE TAKE-OVER WILL REMOVESONLY REMAINING TARGET OF ECONOMIC NATIONALISTS, THEREBY REDUCING AUDIENCE SUSCPETIBLE TO LEFTIST CHARGES OF FOREIGN INTERFERENCE. TROTSKYITES DEPARTURE SHOULD SLOW SRI LANKA'S DRIFT TOWARD LESS DEMOCRATIC, ETATIST APPROACH TO INSTITUTIONS. LSSP'S DEPARTURE ALSO REMOVES ONE VOICE WITHIN COALITION WHICH WAS EQUIVOCATING ON WHETHER ELECTIONS SHOULD BE HELD IN 1977 AS SCHEDULED. ODDS THAT DEMOCRATIC PROCESS WILL CONTINUE THUS MAY HAVE IMPROVED BUT MSW FINANCE MINISTER, FELIX DIAS BANDARANAIKE, WHOSE STOCK HAS GONE UP, HAS AUTHORITARIAN STRAIN AND MAY URGE PM TO RELY INCREASINGLY ON EMERGENCY POWERS IF SHE IS CHALLENGED BY LEFT.

10. MORABCONSERVATE UNP HOPES THAT LEFT-WING OF SLFP WILL DESERT PRIME MINISTER AND FORCE PM TO HOLD ELECTIONS WHICH UNP ACTIVELY SEEKS. WE THINK THIS UNLIKELY. REPORTS PERSIST, HOWEVER, THAT PM HAS WORKED OUT DEAL WITH UNP LEADER J.R. JAYEWARDENE WHICH WOULD PROTECT HER AND HER FAMILYS POSITION. NEVERTHELESS, MAIN PURPOSE OF UNITED FRONT COALTION WAS WINNING ELECTIONS. PERSONAL ACRIMONY BETWEEN SLFP ANDLSSP MAY MAKE FUTURE COOPERATION DIFFICULT,

BUT UNLESS THERE IS SOME REALIGNMENT OF POLITICAL ALLEGIANCES, UF PARTIES WILL NEED NO'ACONTEXT PACTS TO DO WELL IN 1977 ELECTIONS. THUS THERE WILL BE STRONG PRESSURES FOR RECONCILIATION AS ELECTION TIME APPROACHES.

1. ON SECUIRTY SIDE, ARMED FORCES AND POLICE, CERTAINLY AT SENIOR LEVELS, ARE FIRMLY IN PM'S CAMP. HASTILY ARRANGED POLICE DAY PARADE ON SEPT 3 PUT LSSP ON NOTICE THAT PM WOULD NOT STAND FOR ANY DEMONSTRATIONS OR POLITICAL AGITATION. UNLESS LSSP TRIES TO ORGANIZE ALONG MILITARY LINES AND ARM ITSELF, POTENTIAL FOR VIOLENCE SEEMS SLIGHT AT PRESENT.

12. KEEPING IN MIND RECENT EVENTS IN INDIA, ACTIONS GSL MIGHT TAKE TO SUPPRESS ANY
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 COLOMB 02854 02 OF 02 091315Z

CHALLENGES TO IT EITHER FROM LSSP, UNP OR RADICAL UNDERGROUND LEFT, WILL INDICATE DIRECTION PM MIGHT MOVE TO KEEP SECURITY SITUATION UNDER CONTROL. THIS WILL BE ESPECIALLY IMPORTANT TO HER AS TIME FOR COLOMBO NON-ALIGNED SUMMIT CONFERENCE IN AUGUST 1976 APPROACHES.

13. HOW ARE US INTERESTS AFFECTED? IN RECENT POLITICAL IN-FIGHTING TROTSKYITES, UNDER LEADERSHIP N.M. PERERA, WERE CONSISTENT IN ONE THING: THEIR CONTINUED CHARGES THAT CABINET CRISIS WAS SOMEHOW PART OF CIA PLOT AND THAT AMERICANS ALONG WITH RICH SLFP BACKERS WERE TO BLAME FOR BREAKUP OF "PROGRESSIVE FORCES." THIS THEME SEEMS TO HAVE LITTLE CREDIBILITY AMONG MOST CEYLONESE, OTHER THAN LEFTISTS, BUT IT IS LIKELY THAT IN FUTURE, LSSP WILL CHARGE THAT MRS BANDJITANAIKE'S GOVT HAS SOLD OUT TO THE AMERICANS. SINCE THESE ATTACKS WILL NOW COME FROM LSSP OPPOSITION, THEY MAY BE LESS IRRITATING TO OFFICIAL BILATERAL RELATIONS THAN EARLIER ATTACKS BY LSSP MEMBERS OF COALITION GOVT. SUCH ATTACKS, HOWEVER, WILL MAKE RE-CONSTITUTED BANDARANAIKE GOVT SENSITIVE TO CHARGES THAT IT IS SUSCEPTIBLE TO UNDUE USG INFLUENCE. UNDER CIRCUMSTANCES WE SHOULD MAINTAIN SUITABLY LOW PROFILE WHILE CONTINUING

TO ACT AS SYMPATHETIC AND RELIABLE SUPPORTER OF GOVT OF SRI LANKA.

14. ONE OF OUR MAIN INTERESTS IS DEVELOPMENT OF AN ECONOMICALLY VIABLE SRI LANKA WHICH CAN ACT AS

ELEMENT OF STABILITY IN AREA AND RELIABLE TRADING PARTNER
WITH US. LSSP'S DEPARTURE REMOVES KEY ROADBLOCK TO
HARD DECISIONS NEEDED FOR ECONOMIC ADVANCEMENT. ALTHOUGH
LSSP FINANCE MINISTER PERERA DEMONSTRATED CONSIDERABLE
FISCAL RESPONSIBILITY, TROTSKYITES WERE UNINTERESTED IN
ECONOMIC GROWTH EXCEPT ON THEIR OWN IDEOLOGICAL TERMS.
THIS IS ONE OF MAIN REASONS WHY CEYLONSE ECONOMY HAS
STAGNATED OVER PAST FIVE YEARS. TO EXTENT GSL NOW
ADOPTS ECONOMIC POLTCJIES WHICH SUCEED IN STIMULATING
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 COLOMB 02854 02 OF 02 091315Z

PRODUCTION, CABINET CHANGE WILL DEFINITELY BE IN US
INTEREST.

15. IN INTERNATIONAL RELATIONS, DEPARTURE OF LSSP IS
UNLIKELY TO HAVE ANY GREAT AFFECT. IT DOES REMOVE ONE
VOICE IN GOVERNMENT WHICH WAS INCREASINGLY ANTAGONISTIC
TO US AND US INTERESTS. HOWEVER, PRIME MINISTER
BANDARANAIKE WILL CONTINUE TO ADOPT CAREFULLY NON-
ALLIGNED STANCE. HER MODERATE APPROACH TO INTERNATIONAL
AFFAIRS IS VERY LIKELY TO CONTINUE AND SHE WILL
ASSIDUOUSLY CULTIVATE IMAGE AS SENIOR LEADER OF
NON-ALIGNED
KCULD.
VAN HOLLEN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CABINET, REORGANIZATIONS, REMOVAL FROM OFFICE
Control Number: n/a
Copy: SINGLE
Draft Date: 09 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975COLOMB02854
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750311-0641
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750967/aaaachki.tel
Line Count: 361
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 COLOMBO 2769
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 13 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 JUN 2003 by ShawDG>; APPROVED <10 NOV 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WITH TROTSKYITE OUT WHAT DOES FUTURE HOLD?
TAGS: PINT, PFOR, CE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006